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## **Chairman Of CBA : Integration Processes With Russia Will Grow At A Quickened Pace**

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Integration processes with Russia will grow at a quickened pace, Chairman of the Central Bank of Armenia (CBA) Tigran Sargsyan said in his interview with "Rossiyskaya gazeta" (Russian newspaper).

According to him, time and confidence are the important elements of modern economy. If there is mutual understanding, the economic contacts are established quickly. Mentality, traditions, the huge cultural layer, which have always unified Armenia and Russia are becoming a strong stimulus for new business opportunities. It is much more complicated with Europe and America: establishment of new economic relations needs time, and time is money. The integration processes with Russia will leave behind the integration processes with other countries.

Commenting upon the possible suspension of the Millennium Challenge Program in Armenia, Sargsyan said that this program would greatly help the country, though the country mostly relies on its own economic potential. "Armenia will go forward along the path of market reforms. Those indices, which already exist and those which will by all means be, will allow our American colleagues to reconsider the decision and renew the project. Due to the strong basis of relations with Russia, we'll manage to overcome a number of problems, including the temporary suspension of the financial support under the Millennium Challenge Program. The relations with Russia, which have become more intensive over the past three years, prove that the financial and economic problems in Armenia are overcome", he said.

The CBA chairman said that actually being isolated from the foreign world by transport blockade and having no serious natural resources, Armenia demonstrates sustainable rates of economic growth. In 2007, the growth rate made up 13,7%, with inflation rate being 6,6%. This is the lowest inflation index among the CIS countries. The real incomes of the population annually increase by 19-20%, the poverty level decreased twice over the past three years. To a large extent, this is the result of the economic policy conducted the Armenian government headed by Armenian President Robert Kocharyan and Armenian Prime Minister, newly-elected President Serzh Sargsyan.

Russia traditionally maintained good relations with Armenia. After the disintegration of the Soviet Union, the cooperation dropped abruptly: the former plan schemes went out of date, and the new ones were not created yet

Cooperation on market bases became possible over the past five years when the economy of both states consolidated to the extent possible.

In 2007 the Russian-Armenian trade turnover grew by 65% to \$700mln against just \$300mln in 2005. Last year Russia had the biggest 16.1% share in Armenia's foreign trade. Besides, Russia is home to a very big Armenian community and almost 80% of all private money transfers from Armenia are sent to Russia.

Presently, Russia and Armenia are implementing a whole number of joint projects. In 2008 they are planning to complete the construction of the second section of Iran-Armenia gas pipeline, a project financed by AtomRosgazprom (joint venture of Gazprom, Itera and Energy Ministry of Armenia).

The company has started to modernize the Sevan-Hrazdan Water Power Plant and is building Kajaran-Ararat gas pipelines. In 2008-2010 AtomRosgazprom is planning to invest almost \$30mln in the Armenian economy, particularly, in the restoration of Yerevan and Azrni water power plants, modernization of Argel, Sevan and Kanaker WPPS. Presently, Armenia buys Russian gas at a preferential price - \$110/1,000 c m, while for its neighbors the price is no less than \$230/1,000 c m.

In the nuclear sphere, Rosatom and Ecology Ministry of Armenia have signed an protocol for establishing a JV for prospecting, mining and processing of uranium in Armenia. The JV is planning to spent several hundreds of millions of US dollars on this project. In early Feb 2008 the foreign ministries of Russia and Armenia exchanged notes on Armenia's joining the International uranium Enrichment Center, set up by Russia and Kazakhstan in May 2007.

Rosatom is going to take part in the tender for the construction of new nuclear power plant in Armenia. The Russian business is active in Armenia's banking sector. In late 2007 Gazprombank bought 80.09% stake in Armenian-Russian Export-Import Bank (Armeximbank).

Such big players as Troika-Dialogue, Unibank, Gazprombank, VTB have come to Armenia. Russian companies control a big part of Armenia's telecoms and manufacturing sectors. MTS OJSC owns 80% of the mobile telecom operator K-Telecom (VivaCell), while VimpelCom owns the fixed and mobile telecom operator ArmenTel. Rusal owns Armenal foil rolling plant.

Rostekhnologies State Corporation has specific investment plans in Armenia's engineering and machine-building sectors. Since 2002 RosDefenseExport has supplied Armenia with military products worth \$25mln. Russian Railways manages Armenian Railways Company and has promised by 2010 to restore the railway communication with Turkey and by 2009 with Azerbaijan. The Russian company is planning to invest \$570mln in Armenian railways. If the transport blockade of Armenia is lifted and the Abkhazian section is opened, this figure may grow to \$2.132bln. The development of the transport infrastructure will help us to more effectively use our economic capacities.

Armenia's legislation is rather liberal, so, the Russian business has no problems on the Armenian market. International experts say that the Armenian economy is much more open and attractive than the economies of the other CIS countries.

The Armenian authorities are working hard to turn Armenia into the financial center of the region. Armenia is a place where different banking cultures can work in harmony and dialogue.

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